



**Iowa Department of Natural Resources
Environmental Services Division**

For Immediate Release

June 20, 2007

**GASOLINE PRICES SETTLE AFTER TUMULTUOUS BEGINNING TO
SUMMER DRIVING SEASON**

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DES MOINES — Gasoline prices have stabilized in recent weeks as previously incapacitated oil refineries ramped-up production to supply a thirsty U.S. gasoline market.

Record unscheduled refinery shutdowns earlier in the year had prevented refiners from supplying the U.S. market. Low product availability caused intense market speculation and strained American consumers as price hikes preceded the nation's busiest driving season. Memorial Day and the beginning of the summer driving season saw many Americans outraged as prices reached record levels, and oil companies posted record profits. Refiners and oil companies have received a steady stream of criticism from lawmakers both at the state and federal levels for failing to provide adequate infrastructure to meet the needs of today's fuel market. Iowa, which typically pays less than the national average for gasoline, was paying 10 to 15 cents more for gasoline than the national average.

"Iowa gasoline prices are usually \$0.10 to \$0.15 lower than the national average," said Brian Crowe, an DNR energy analyst. "For a stint in May we were about \$0.15 higher than the national average. The prices were largely due to our geography. Being positioned in the center of the country and at the end of four pipelines is usually beneficial for Iowans when there is ample supply.

"But when supplies are low, as we observed last month, product tends to flow out of the pipeline earlier to higher bidders. By the time product reached Iowa, prices are higher and supply was lower. One of the highest costs in fuel that is passed on to consumers is pipeline and other transport fees."

June gasoline prices in Iowa are averaging \$2.92 per gallon of 10 percent ethanol blended mid-grade gasoline. That is down 7.9 percent from the average price in May of \$3.17 per gallon of the same blend. Iowans did see record prices when the state average for E10 mid-grade gasoline was \$3.35 a gallon on May 23. National gasoline demand continues to increase even with high prices. Demand rose to 9.5 million barrels a day in June, which is up 1 percent from 9.4 million barrels in May.

The effects of high gasoline prices have some energy and environmental advocates calling for a permanent gas tax of \$1 to \$2 per gallon. The argument is that by keeping the price of gasoline high,

citizens and industry would then make efficient choices, and curb demand for foreign oil. Also, fuel tax revenue could be used for programs to provide a stimulus for renewable energy sources like wind, solar, biodiesel, and ethanol.

Diesel fuel in Iowa currently costs \$2.82 per gallon, \$0.03 lower than the \$2.85 price per gallon in May. Although diesel fuel traditionally costs \$0.40 more per gallon than gasoline, diesel fuel continues to drop in price and sell for \$0.10 less than gasoline in Iowa. Diesel demand is down a little over 4.6 percent from 4.3 to 4.1 million barrels a day.

United States crude oil stocks rose 0.5 percent in May to 342.4 million barrels, and have remained steady in recent weeks. Stocks are nearly up to the level they were at this time last year, 342.7 million barrels, after stocks had dipped 6 percent in April.

On June 18 natural gas was trading at \$7.58/MMBtu, \$0.02 lower than last month. Prices are \$1.50 higher than the price of natural gas at this time last year, a 25 percent increase. Prices have increased largely on speculation as consumption in the first quarter of 2007 was up 10 percent over the same time period in 2006. With warmer weather expected this summer and heavy demand on electricity for cooling, utility companies may turn to natural gas to generate electricity to meet peak cooling demand.

A survey completed by the Iowa Department of Natural Resources on June 15 indicated that the average retail price of heating oil in Iowa was \$2.44 per gallon, \$0.13 lower than last month, and \$0.09 lower than the price of heating oil at this time last year. The same survey found that propane was selling for an average of \$1.54 per gallon across the state, \$0.01 lower than a month ago, and \$0.06 higher than the price at this time last year.

10% Ethanol Average Retail Price Per Gallon -- Major Iowa Cities

Self-Serve Ethanol	6/18/07	5/17/07	Difference
Ames	\$ 2.90	\$ 3.14	-0.24
Cedar Rapids	\$ 2.96	\$ 3.18	-0.22
Council Bluffs	\$ 2.78	\$ 3.14	-0.36
Davenport	\$ 2.92	\$ 3.17	-0.25
Des Moines	\$ 2.83	\$ 3.11	-0.28
Dubuque	\$ 3.01	\$ 3.14	-0.13
Fort Dodge	\$ 2.94	\$ 3.18	-0.24
Iowa City	\$ 3.01	\$ 3.21	-0.20
Sioux City	\$ 2.93	\$ 3.21	-0.28
Waterloo	\$ 2.82	\$ 3.11	-0.29
Webster City	\$ 3.04	\$ 3.21	-0.17
Average Metro Price	\$ 2.92	\$ 3.16	-0.25

Source: Oil Price Information Service, www.opisnet.com

Motor Fuels Survey State Average Price Per Gallon

Self-Serve	6/17/07	5/17/07	Difference
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Regular Unleaded with 10% Ethanol	\$ 2.92	\$3.17	\$-0.25
Regular Unleaded	\$ 2.94	\$3.20	\$-0.26
Premium Unleaded	\$ 2.95	\$3.23	\$-0.28
Diesel	\$ 2.82	\$2.85	\$-0.03

Source: Oil Price Information Service, www.opisnet.com

Heating Fuels Survey

Heating Fuel Type	6/15/07	5/15/07	Difference
Natural Gas	\$7.58/MMBTU	\$7.60/MMBTU	-\$0.02
Propane	\$1.54	\$1.55	-\$0.01
#2 Heating Oil	\$2.44	\$2.57	-\$0.13

Sources: Wall Street Journal, Iowa Department of Natural Resources